

# **CITY AUDITOR'S OFFICE**



## **AUDIT OF CITY PROCUREMENT CARD PROGRAM**

**Report No. CAO 2001-0607-09**

**April 11, 2007**

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**CITY AUDITOR**

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# **AUDIT OF CITY PROCUREMENT CARD PROGRAM CAO 2001-0607-09**

## **BACKGROUND**

The City has a Procurement Card (P-Card) Program in which city employees are issued credit cards for use in purchasing business related goods and services. The P-Card Program's policies and procedures are outlined in *Procurement Card Program Policy* (FN605.1) and *Procurement Card Program Procedure* (FN605a.1). P-Card documentation standards are included in a *P-Card Instructions* sheet.

According to the P-Card Program Policy:

P-Cards provide employees with a cost-effective and convenient method of purchasing small dollar business-related items from any supplier that accepts the City's P-Card. P-Cards:

- Simplify and decentralize the purchasing process for targeted transactions.
- Increase the purchasing options offered to departments.
- Reduce the need for petty cash.
- Expedite delivery of goods or services.
- Reduce payment processing time and expense.
- Streamline the small dollar purchasing process.

The City has approximately 338 outstanding P-Cards with varying spending limits. During fiscal year 2006, there were approximately 25,000 P-Card purchases totaling more than \$5 million.

The City's P-Card Program is administered by the Purchasing & Contracts Division (Purchasing) and the Accounting Division (Accounting) of the City's Finance and Business Services Department (Finance). The P-Card Program Administrator within Purchasing oversees the administration of the P-Card program and is the primary contact for communication with cardholders and the card issuing financial institution. Accounting staff receive, review, and file P-Card transaction receipts, monitor the status of P-Card reconciliations, make general ledger entries, and make the monthly payment to the P-Card issuing financial institution.

The City uses a P-Card software program for recording and reconciling P-Card transactions. In January 2007, the City will be changing to a new web-based P-Card system in conjunction with a change to a new P-Card issuing financial institution.

## **OBJECTIVES**

The objectives of this audit were to assess:

- Compliance with laws and regulations.
- Efficiency of operations.
- Adequacy of internal or management controls to help prevent fraud, waste, and abuse.

## **SCOPE AND METHODOLOGY**

Our audit fieldwork was performed in accordance with generally accepted government auditing standards. The scope of our audit was limited to reviewing P-Card transactions during fiscal year 2006 (July 1, 2005 through June 30, 2006). Our audit included:

- Discussions with City staff and management.
- Testing of P-Card transactions using data analysis tools.
- Review of supporting documentation for a sample of P-Card transactions.

## **FINDINGS AND RECOMMENDATIONS**

Our audit identified issues management should address relating to controls over the City's P-Card program. These issues are summarized in this section. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

## **1. Desk Procedures**

### **Criteria:**

Documented desk procedures assist employees and management in performing the day-to-day functions of an organization and in implementing and monitoring adherence to policies. Desk procedures address the key activities and processes of an organization, how they are performed, by whom, and establish accountability.

### **Condition:**

- While the City's P-Card Program policies and procedures provide general guidelines for those participating in and administering the P-Card program, they do not detail the routine functions, procedures, and responsibilities of those involved in administration, processing, and monitoring of the P-Card Program (i.e., P-Card Program Administrator, Accounting staff, Cashiers).
- During the past year, three Accounting staff directly involved in the oversight and processing of P-Card transactions transferred to other divisions/departments within the City. No documented desk procedures were available for use by the new staff in learning their responsibilities.

### **Cause:**

- Detailed functions and responsibilities of staff involved in P-Card administration and processing are not documented.
- Reliance on experience and expertise of other staff.

### **Effect:**

- Potential for confusion or misinterpretations on divisions of responsibility and expectations of management.
- Reliance on staff for on-the-job training.
- Reduced ability to hold staff accountable for their areas of responsibility.

### **Recommendation:**

Finance should create documented desk procedures for all positions involved in the administration, processing, and monitoring of P-Card transactions. The division of responsibilities between Purchasing and Accounting should be clearly defined within these procedures.

## **2. P-Card Transaction Analysis**

### **Criteria:**

According to the City's Procurement Card Program Procedure, the P-Card Program Administrator is responsible for:

- Monitoring the performance of the P-Card program using a monthly Excel spreadsheet statement.
- Monitoring P-Card use for compliance with the Procurement Card Policy and this procedure.
- Notifying the Purchasing and Contracts Manager of P-Card misuse.

Regular data analysis of P-Card transactions can be effective in monitoring P-Card activity and identifying improper, abusive, and fraudulent transactions.

### **Condition:**

- The P-Card Program Administrator currently completes a monthly review of a spreadsheet of P-Card transactions for significant and unusual transactions.
- This review is limited in its effectiveness due to the inherent limitations of the data within the spreadsheet and reporting capabilities of the current P-Card system.
- The objectives, methodology, and procedures to be followed by the P-Card Program Administrator to "monitor the performance of the P-Card program" have not been defined or documented.

### **Cause:**

- Inherent limitations with current system.
- Lack of adequate data analysis tools.
- Lack of defined objectives, methodology, and procedures to monitor P-Card program performance.

### **Effect:**

- Improper, abusive, and fraudulent P-Card transactions may go undetected.

### **Recommendation:**

Finance should evaluate what additional routine data analysis could be performed to improve the monitoring of P-Card transactions. An evaluation should be made of data mining and analysis tools that could be used.

Finance should document its objectives, methodology, and procedures to be followed by the P-Card Program Administrator and/or Accounting in monitoring the performance of the P-Card program. Responsibilities and the timing for completing this monitoring should be clearly defined and documented. The following are examples of areas that could be monitored on a regular basis:

- Transactions of unusual amounts or relationships

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- Questionable vendors identified by name or by MCCs (standard codes that the credit card industry maintains to categorize merchants)
- Weekend and holiday purchases
- Evidence of split transactions
- Year-end spending

### 3. Prohibited P-Card Purchases

#### Criteria:

Internal controls are most effective when procedures exist to detect violations of policy.

The City's *Procurement Card Program Policy* states the following:

Prohibited P-Card purchases shall include, but are not limited to:

- Furniture/furnishings included under current Purchase Agreements.
- Computer hardware and software (except for Information Technologies Department personnel)
- Gasoline or oil (except for Fleet & Transportation Services Division personnel)
- Vehicle repairs
- Travel expenses such as hotels, food and airline tickets (except when specific authorization granted)
- Cash advances
- Personal items
- Any item currently covered under a Blanket Purchase Order (The Procurement Card may not be used for issuing releases against Blanket Purchase Order Agreements)
- Any additional goods/services specifically restricted by the Purchasing & Contracts Division or the Cardholder's Department or Division

Payment for purchases shall not be split as a means of staying within the single purchase limit.

The City's *Procurement Card Program Procedure* states that cardholders are to "verify that items being purchased are not currently covered under a Blanket Purchase Order."

#### Condition:

- During our review of fiscal year 2006 P-Card transactions, prohibited P-Card purchases (as defined by the City's P-Card Program Policy) were identified as follows:
  - Fuel and oil purchased by employees in divisions outside of Fleet & Transportation Services
  - Vehicle repair costs
  - Split transactions (two or more transactions that would have normally been a single-purchase transaction, but were split to circumvent established spending limits).
- Other groups of P-Card transactions were identified that *may* include prohibited transactions. According to policy, these transactions would only be prohibited if



covered under existing purchase agreements. It is unknown how many of these transactions were prohibited as we did not compare each of these transactions against existing purchase agreements.

- Furniture purchases (approximately 49 transactions totaling \$26,000).
  - P-Card purchases made with approximately 134 vendors with whom the City has blanket or contract purchase agreements. There were purchases totaling more than \$5,000 during the year with 33 of these vendors.
- Purchases of items covered under blanket or contract purchase agreements are not currently decremented against contracted amounts.
- No formal procedures are in place to identify and track the prohibited transactions outlined in policy. Therefore, there is no assurance that these prohibited transactions will be identified.
- The Accounting staff who review the supporting documentation for P-Card transactions are not familiar with the details of existing blanket and contract purchase agreements and therefore, not in a position to identify transactions covered by these agreements.
- Purchasing and Accounting staff were not aware of “any additional goods/services specifically restricted by the Purchasing & Contracts Division or the Cardholder’s Department or Division”.

**Cause:**

- Lack of formalized procedures for identification and reporting of policy stipulated prohibited transactions.
- Cardholders are not familiar with all purchase agreements.

**Effect:**

- Prohibited P-Card transactions are not all being identified and tracked.
- Potential for violation of terms of purchase agreements.
- P-Card transactions with vendors with whom the City has purchase agreements are not decremented against contracted amounts.

**Recommendation:**

Finance should improve controls over prohibited P-Card transactions as follows:

- Finance should evaluate the adequacy of the current listing of prohibited transactions.
- Finance should implement procedures and assign responsibility for identification and reporting of identified prohibited transactions. Cardholders should be made aware of violations.
- Measures should be taken to make identification of items covered under purchase agreements more easily identifiable for cardholders, approvers, reconcilers, and those given responsibility for identification of prohibited transactions.
- Finance should formally request that any additional goods/services specifically restricted for purchase with a P-Card by other departments be communicated to them.

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- Finance should evaluate the feasibility of implementing a process by which blanket or contract purchase agreement contracted amounts could be decremented for eligible P-Card transactions.

#### **4. P-Card Strike Program**

##### **Criteria:**

Candid and constructive counseling, performance appraisals, and discipline can provide reinforcement of the system of internal control. Internal control policies and procedures should identify the specific actions or lack of adherence to internal control within the purchase card program that warrants counseling, discipline, or both. (GAO Audit Guide – Auditing and Investigating the Internal Control of Governmental Purchase Card Programs, p. 25)

The *Procurement Card Program Policy* states the following:

The Accounting Division will monitor use of P-Cards and determine if chronic abuse exists. Chronic abuse occurs when a habit or pattern of behavior continually results in late or missing backup receipts, unrecovered sales tax, or unreconciled charges. Chronic abuse may result in revocation of P-Card privileges. P-Card misuse or repeated policy violations may result in revocations of P-Card privileges. Finance will notify the Division Manager or Department Director in advance if the intent is to revoke P-Card privileges.

The *Procurement Card Program Procedure* states the following:

The Accounting Operations Division is responsible for monitoring the frequency of occurrence and number of transactions going into default accounts, sales tax charged and purchases in which no backup has been submitted. Accounting Operations is to:

- Maintain records to track compliance with the Procurement Card Policy and Procedure.
- Provide notification to cardholders, reconcilers and approvers of non-compliance.
- Revoke card privileges if chronic abuse of card privileges occurs.
- Provide monthly performance statistics to the City Manager's Office.

The *P-Card Instructions* document states the following:

Accounting will track the number of “strikes” that each cardholder has each month. A strike occurs when a transaction is not reconciled, when proper backup is not provided to Finance within the specified period of time or when sales tax is repeatedly charged and not recovered. Accumulating 3 strikes during a 3 month period may result in revocation of P-Card privileges.

##### **Condition:**

- Accounting staff receive and review supporting documentation for P-Card transactions.

- Accounting maintains monthly spreadsheets of P-Card transactions to document that the following steps have been completed:
  - P-Card charges have been appropriately reconciled.
  - Supporting documentation has been submitted for each P-Card transaction.
  - Sales tax has not been charged.
  - Appropriate signatures have been obtained.
- Accounting inputs the word “Complete” next to a transaction once the above steps are found to be complete.
- If the cardholder is deficient in any of these areas, notes on the deficiency are made or a line is left blank. Per Accounting, these are considered “strikes” and an e-mail noting the deficiency may be sent out to the cardholder and/or the respective Department Director. According to the *P-Card Instructions*, accumulating three strikes during a three-month period may result in revocation of P-Card privileges.
- The following deficiencies were noted with the current P-Card strike program:
  - Other than general discussions of the P-Card strike program in the City’s policy and procedures, the details on how the strike program should be administered are not documented.
  - The current definition of a strike in the *P-Card Instructions* is incomplete as it does not address prohibited transactions outlined in policy.
  - Beyond the cardholder’s approver, no Purchasing or Accounting staff are formally responsible for reviewing the records for prohibited transactions.
  - No current cumulative summary of strikes was available for review. Per Accounting, this was in part due to employee turnover.
  - It is not evident from the spreadsheets when a formal strike had been issued against a cardholder and whether correspondence had been sent to the cardholder and/or Director.
  - While the P-Card Program Administrator periodically communicates violations of P-Card policy to Accounting, she does not currently have access to the strike tracking spreadsheet and her roles and responsibilities as they relate to the strike tracking program are not clearly defined.
  - Justification for allowing an employee with three strikes to continue as a cardholder is not always documented.
  - The steps that must be taken prior to revoking an employee’s P-Card and who is responsible for carrying out these steps are not documented.

**Cause:**

- Lack of documentation on the administration of the P-Card strike program and the roles and responsibilities of staff in the program.

**Effect:**

- Inconsistencies in the administration of the P-Card strike program.

**Recommendation:**

Finance should re-evaluate the effectiveness of the current P-Card strike program and address the identified deficiencies:

- The details on how the strike program is administered should be more clearly documented.
- The definition of a strike should be clearly defined and documented.
- A cumulative summary of strikes should be maintained.
- Strikes should be more clearly identified on the strike monitoring spreadsheet.
- Correspondence regarding strikes should be better documented and tracked.
- The P-Card Program Administrator's role in the strike program should be defined and documented.
- Justifications for a cardholder maintaining their P-Card after repeated violations of policy/procedure should be documented.
- The steps that must be taken prior to revoking an employee's P-Card and responsibility for carrying out these steps should be clearly defined and documented.

## 5. Approver Training

### Criteria:

According to the *Procurement Card Program Policy*, the Department Director or designee is to review each P-Card expenditure to ensure the goods and services were necessary and for official use. These individuals are P-Card transaction approvers (approvers). The approval of each P-Card transaction is evidenced by a signature on a P-Card transaction summary sheet and/or the transaction receipts submitted monthly to Accounting.

The review of P-Card transactions by approvers is a critical control activity in the P-Card program. Approvers are the first and key line of defense against fraudulent, improper, and abusive P-Card purchases as they are closest to the business activities of the cardholders. Accordingly, it is important that these individuals are appropriately trained in P-Card policies and procedures and how to identify these types of transactions. Regular training can be beneficial in maintaining their knowledge and awareness of control activities.

### Condition:

- While cardholders must attend a training class prior to the issuance of their card, P-Card transaction approvers do not attend any training outlining their roles and responsibilities and the “red flags” of fraudulent, improper, and abusive P-Card purchases.
- Finance recently began developing a P-Card approver training course.

### Cause:

- Lack of an established training course for P-Card approvers.

### Effect:

- Without proper training, approvers may not be fully aware of their roles and responsibilities and may not be familiar with the “red flags” to look for in reviewing P-Card transactions and fail to detect fraudulent, improper, and abusive purchases.

### Recommendation:

Finance should develop and implement a required training program for P-Card approvers. This program should include periodic refresher courses as deemed appropriate. Finance should also develop a document for P-Card approvers that provides guidance for reviewing P-Card transactions and common “red flags” of fraudulent, improper, and abusive transactions.

## **6. Identification of Contracting Opportunities**

### **Criteria:**

- According to the City's *Procurement Card Program Procedure*, Purchasing is responsible for evaluating the monthly P-Card report for contracting opportunities.

### **Condition:**

- Purchasing is responsible for the evaluation of P-Card activity for contracting opportunities.
- During fiscal year 2006, the City had P-Card purchases exceeding \$10,000 with 71 different vendors. The City already has blanket or contract purchase agreements with 19 of these vendors.
- Additional contracting opportunities may be available with some of these vendors.
- The monthly P-Card report available to buyers within Purchasing is limited in its usefulness in identifying contracting opportunities as the information contained within the spreadsheet is only for a specific month rather than cumulative. Improved reports with summarized trend information would provide the buyers with improved data for analysis and identification of contracting opportunities.
- The P-Card transaction evaluation process to be performed by buyers has not been formalized.

### **Cause:**

- Limited reporting capabilities of current system.

### **Effect:**

- Contracting opportunities may not be timely identified.
- Potential for missed opportunities for discounts through blanket or contract purchase agreements.

### **Recommendation:**

Purchasing should develop improved reports for buyers to review for identification of contracting opportunities. In addition, Purchasing should formalize and document the P-Card transaction evaluation process to be performed by its buyers.

## **7. Card Activity Evaluation**

### **Criteria:**

- Effective financial loss exposure management and control of a P-Card program includes limiting the number of P-Cards and related spending limits to operational need requirements.

### **Condition:**

- During fiscal year 2006, 51 City cardholders had fewer than ten transactions. 25 of these 51 cardholders received their card or returned their card during the year. Therefore, 26 cardholders had the P-Card throughout the year and used it fewer than ten times. This may be an indication that these P-Cards are no longer necessary.
- While an informal review of cardholder activity is periodically conducted by Finance, no formal annual review process is in place. Justification by departments for retention of low usage cards is not documented.
- There is no documented approach/methodology to controlling the number of cardholders and spending limits.

### **Cause:**

- Current approach for evaluating cardholder activity and spending limits has not been formalized.

### **Effect:**

- Lack of formalized program for evaluation of cardholder activity.
- Lack of documentation from departments justifying retention of low usage cards.

### **Recommendation:**

Finance should create a documented approach/methodology to follow in evaluating cardholder activity and spending limits. Reports could annually be sent out to each department summarizing the number of P-Card transactions, total dollar amounts, and the spending limits for each cardholder. Department management could then be asked to review the report and justify the retention of low usage cards (based on a threshold established by Finance) and confirm the continuation of the established spending limits.



## **8. Management Reporting**

### **Criteria:**

The City's Procurement Card Program Procedure states that Accounting is to provide monthly performance statistics to the City Manager's Office.

### **Condition:**

- A monthly P-Card program performance report is not currently being created by Accounting for distribution to those involved in the administration of the P-Card program and the City Manager's Office.

### **Cause:**

- Performance report not being created.
- Limited reporting capabilities of current P-Card system.

### **Effect:**

- City management may lack useful information needed in carrying out their internal control and management responsibilities.

### **Recommendation:**

Finance should determine what management reports should be created to summarize P-Card program activity. The following should be defined and documented:

- Information to be included in the reports
- Source of information
- Staff responsible for creation of the reports
- Timing of creation and distribution of the reports
- Individuals to whom the reports will be distributed

## **9. Transaction Categories and Descriptions**

### **Criteria:**

Information input into the P-Card system must be complete and accurate for effective data analysis.

### **Condition:**

- When P-Card transactions are entered into the P-Card system, cardholders or reconcilers classify the nature of the transaction from a listing of 80 categories. Examples of these categories are automotive, books, electrical, and food.
- During fiscal year 2006, approximately 6,000 P-Card transactions (24%) were classified to a miscellaneous category (i.e., miscellaneous supplies, equipment, services).
- Of the 80 categories, 21 were used for fewer than 20 transactions.
- Approximately 576 P-Card transactions (2%) were not assigned to any category.
- These categories are not currently being used by Purchasing or Accounting on a regular basis for transaction analysis.
- While the new P-Card system will not use these transaction categories, certain codes (GL codes, MCC codes) will help identify the nature of transactions and be available for transaction analysis.
- Cardholders are prompted in the P-Card system to input a description of each purchase to identify the nature of the transaction. Certain cardholders (or their reconcilers) continue to only put minimal information in this field (e.g., repair, supplies, building materials, equipment, food).

### **Cause:**

- The category codes may no longer be meeting the needs of the users or reflect the nature of the City's P-Card transactions.
- Importance of this information is not emphasized with users.

### **Effect:**

- Incomplete information for effective data analysis and identification of purchase irregularities.

### **Recommendation:**

Finance should implement procedures for the regular review of transactions using available transaction categories/identifiers (e.g., GL codes, MCC codes). Cardholders should be formally reminded of the importance of the proper categorization of purchases and to provide descriptive information in the transaction description field.

## MANAGEMENT RESPONSES

### 1. Desk Procedures

**Recommendation:** Finance should create documented desk procedures for all positions involved in the administration, processing, and monitoring of P-Card transactions. The division of responsibilities between Purchasing and Accounting should be clearly defined within these procedures.

**Management Action Plan:** Purchasing and Accounting will create desk procedures for all positions involved in the Pcard program.

**Estimated Date of Completion:** December 2007

### 2. P-Card Transaction Analysis

**Recommendation:** Finance should evaluate what additional routine data analysis could be performed to improve the monitoring of P-Card transactions. An evaluation should be made of data mining and analysis tools that could be used.

Finance should document its objectives, methodology, and procedures to be followed by the P-Card Program Administrator and/or Accounting in monitoring the performance of the P-Card program. Responsibilities and the timing for completing this monitoring should be clearly defined and documented. The following are examples of areas that could be monitored on a regular basis:

- Transactions of unusual amounts or relationships
- Questionable vendors identified by name or by MCCs (standard codes that the credit card industry maintains to categorize merchants)
- Weekend and holiday purchases
- Evidence of split transactions
- Year-end spending

**Management Action Plan:** Purchasing and Accounting will identify reports and create desk procedures that will aid in the evaluation of Pcard transactions. The timing and frequency of this analysis will be outlined in the documents.

**Estimated Date of Completion:** December 2007

### **3. Prohibited P-Card Purchases**

**Recommendation:**

Finance should improve controls over prohibited P-Card transactions as follows:

- Finance should evaluate the adequacy of the current listing of prohibited transactions.
- Finance should implement procedures and assign responsibility for identification and reporting of identified prohibited transactions. Cardholders should be made aware of violations.
- Measures should be taken to make identification of items covered under purchase agreements more easily identifiable for cardholders, approvers, reconcilers, and those given responsibility for identification of prohibited transactions.
- Finance should formally request that any additional goods/services specifically restricted for purchase with a P-Card by other departments be communicated to them.
- Finance should evaluate the feasibility of implementing a process by which blanket or contract purchase agreement contracted amounts could be decremented for eligible P-Card transactions.

**Management Action Plan:** Finance will improve controls over prohibited P-Card transactions through:

- Review of the current list of prohibited transactions and evaluation of any additional policies and procedures used by City departments.
- Formalizing the process for the identification and reporting of prohibited P-Card transactions. After notification of a violation, the Approver will be required to submit a corrective action to Finance within an established timeframe.
- Updating desk procedures to include reporting schedule requirements analysis criteria. Procedures will identify timelines for notification and reporting of prohibited transactions.

The software functionality to decrement from a PO is not currently available. Finance will continue to evaluate options for possible enhancements to the application which may be made available in the future.

**Estimated Date of Completion:** December 2007

#### 4. P-Card Strike Program

**Recommendation:** Finance should re-evaluate the effectiveness of the current P-Card strike program and address the identified deficiencies:

- The details on how the strike program is administered should be more clearly documented.
- The definition of a strike should be clearly defined and documented.
- A cumulative summary of strikes should be maintained.
- Strikes should be more clearly identified on the strike monitoring spreadsheet.
- Correspondence regarding strikes should be better documented and tracked.
- The P-Card Program Administrator's role in the strike program should be defined and documented.
- Justifications for a cardholder maintaining their P-Card after repeated violations of policy/procedure should be documented.
- The steps that must be taken prior to revoking an employee's P-Card and responsibility for carrying out these steps should be clearly defined and documented.

**Management Action Plan:** Purchasing and Accounting will collaborate on an evaluation of the current strike program for clarity and consistency. The definition of a strike, when and how a strike will be issued, revocation of a P-Card, and an improved method of strike tracking will be developed and documented.

**Estimated Date of Completion:** December 2007

#### 5. Approver Training

**Recommendation:** Finance should develop and implement a required training program for P-Card approvers. This program should include periodic refresher courses as deemed appropriate. Finance should also develop a document for P-Card approvers that provides guidance for reviewing P-Card transactions and common "red flags" of fraudulent, improper, and abusive transactions.

**Management Action Plan:** Finance has partnered with Internal Audit to implement a training program with extensive training materials. This item has been completed for all existing P-Card program participants and is in place to train all future P-Card program participants. We will continually evaluate the adequacy of the training materials provided to Approvers.

To further ensure compliance by P-card participants, we will address Approver accountability. It is our intent to formalize the notification process to approvers

regarding violations of P-card procedures and policies. The notification will require the Approver to submit a corrective action plan to Finance within an established time frame.

**Estimated Date of Completion:** December 2007

## **6. Identification of Contracting Opportunities**

**Recommendation:** Purchasing should develop improved reports for buyers to review for identification of contracting opportunities. In addition, Purchasing should formalize and document the P-Card transaction evaluation process to be performed by its buyers.

**Management Action Plan:** Reports will be developed and procedures documented to assist Buyers in identifying contracting opportunities.

**Estimated Date of Completion:** December 2007

## **7. Card Activity Evaluation**

**Recommendation:** Finance should create a documented approach/methodology to follow in evaluating cardholder activity and spending limits. Reports could annually be sent out to each department summarizing the number of P-Card transactions, total dollar amounts, and the spending limits for each cardholder. Department management could then be asked to review the report and justify the retention of low usage cards (based on a threshold established by Finance) and confirm the continuation of the established spending limits.

**Management Action Plan:** A report will be developed to properly monitor card usage and card limits. Justifications will be requested from Departments with low usage cards or excessive card limits. A determination will be made by Purchasing as to whether the low usage cards will be cancelled or if limits will be adjusted.

**Estimated Date of Completion:** December 2007

## 8. Management Reporting

**Recommendation:** Finance should determine what management reports should be created to summarize P-Card program activity. The following should be defined and documented:

- Information to be included in the reports
- Source of information
- Staff responsible for creation of the reports
- Timing of creation and distribution of the reports
- Individuals to whom the reports will be distributed

**Management Action Plan:** Finance will identify and develop a P-Card reporting strategy.

**Estimated Date of Completion:** December 2007

## 9. Transaction Categories and Descriptions

**Recommendation:** Finance should implement procedures for the regular review of transactions using available transaction categories/identifiers (e.g., GL codes, MCC codes). Cardholders should be formally reminded of the importance of the proper categorization of purchases and to provide descriptive information in the transaction description field.

**Management Action Plan:** Finance will develop and distribute a procedure addressing the acceptable level of transaction categorization and transaction review criteria.

**Estimated Date of Completion:** December 2007